

FISCAL POLICY

Objective:	To provide a framework of definitions, procedures and guidelines for the approval and management of the Tompkins County Budget and Capital Program.	Policy/Procedure Number:	05-02
Reference: <i>(All Applicable Federal, State and Local Laws)</i>	Article 5 of the County Charter and Code, Financial Procedures and Controls (see Appendix B) specifies the procedures by which the County Budget and Capital Program are submitted and reviewed. Pursuant to Article 7 of the New York State Law; Administrative Policy 05-04 on Fund Balance.	Effective Date:	12/19/1995
		Responsible Department:	County Administration
		Modified Date (s):	07/02/2013 12/19/2006 05/05/1998
Legislative Policy Statement:	Tompkins County shall establish clear procedures for developing, appropriating, and managing its operating budget and capital program. By enacting this Policy the members of the Legislature commit themselves to using it in the consideration and adoption of the Tompkins County Budget and Capital Program.	Resolution No.:	R2013-102 R244-06 R074-95
General Information:	The purposes of this Policy are to ensure that: A. The fiscal stability, integrity, and creditworthiness of Tompkins County are sustained at their historic high levels; B. The taxes and fees levied by Tompkins County are within acceptable limits and are of the appropriate kinds; C. The spending authorized for County purposes is focused to achieve desired results; D. Operational efficiencies are encouraged.	Next Scheduled Review:	July 2018
I. Definitions:	<p>Budget Adjustment—A budget adjustment is an equal increase or decrease in spending and revenues.</p> <p>Capital Program—The Capital Program is a planning guide to physical betterments and improvements for the following five years, including major construction, equipment, and land or building purchases. Capital projects should be part of a comprehensive (20 year) long-range planning process, which foresees major expenditures well in advance of the need for them.</p> <p>Cost Savers—Cost savers are budgeting units or programs that have been judged through a review process demonstrably to save County taxes or Solid Waste Annual Fee funding by spending County funds. They should receive special attention since ignoring them can, by definition, result in needlessly higher taxes or fees.</p>		

Fee—A fee is a charge for a service that is calculated based on the cost of providing that service.

Fiscal Target—A fiscal target is the upper limit set by the Legislature of the general revenues that a budgeting unit or designated program might request without initiating an over-target request.

Over-target Request—Over-target requests are requests for funding that exceed a budgeting unit's or designated program's fiscal target.

Policy:

Section 1 – FISCAL STABILITY

Section 1.01 Contingent Funds

Contingent Funds are appropriated by the Legislature to cover costs that are not known when the budget is being adopted.

There shall be two separate and distinct Contingent Funds, the Mandates Fund to be appropriated for unbudgeted expenses mandated budgeting units, and the Contingent Fund for other budgeting units.

- A. **MANDATES FUND.** The size of the Mandates Fund shall be based on a recommendation from the Director of Finance taking into account the historical pattern of deficits in these areas.
- B. **CONTINGENT FUND.** The size of the Contingent Fund shall be based on the Director of Finance's recommendation based on the historical pattern of its use. This Contingent Fund shall be appropriated only for expenses that are unanticipated and/or unbudgeted and that are for other than mandated payments mandates.

Section 2 – BUDGET AND CAPITAL PROGRAM FORMAT

Section 2.01 Program-Based Budgeting

All authorized spending in the County Budget and Capital Program shall be organized into budgeting units (BUs) and programs. The Legislature, upon recommendation of its program committees and the budget committee, determines the configuration of budgeting units and programs.

- A. **BUDGETING UNITS (Department or Agency).** A budgeting unit is the fundamental unit of Legislature decision-making with respect to the budget. It is made up of one or more programs. Only budgeting units and designated programs receive appropriations, have fiscal targets, or are the recipients of over-target requests.

This policy (see Section 4.01) affords department heads substantial latitude in transferring funds within undesignated programs and among undesignated programs within a budgeting unit, but Legislature review and approval is required for transfers between budgeting units and designated programs.

- B. **PROGRAMS.** A program is a component or service that is a recognized part of a department's or not-for-profit agency's ongoing operation, or all of their operation. It may include the administrative activity necessary to support the service.

When a budgeting unit includes more than one program a department head or agency director may use reasonable estimates to split costs among programs or to establish a separate program for departmental planning and coordination.

- C. **BUDGET REQUESTS.** Department heads and agency directors submit budget requests on behalf of budgeting units and designated by the budget committee

to fulfill the role of department head on behalf of two or more agencies that are included in the same budgeting unit.

- D. **CONTINGENT FUNDS.** Contingent funds are appropriations not directly spent on any object or purpose; they must be transferred or “appropriated” to another spending line. They do not have fiscal targets, but the previous year’s fund amount remains in effect until directed by the Legislature to reduce or increase the fund. They are budgeted directly by the Legislature.
- E. **SPENDING AND TRANSFERS WITHIN/BETWEEN BUDGETING UNITS.** In general terms (see Section 4.01 of this policy for current specifics) department heads have great discretion in spending budgeted funds within a budgeting unit, but transfers between budgeting units or designated programs require Legislature committee review and Legislative action.
- F. **APPROPRIATION AND REVENUE LINES.** Appropriation and revenue lines must be included in all budgets and are items on which the Legislature takes action.
- G. **INFORMATION ABOUT BUDGETING UNITS AND PROGRAMS.**
 - 1. **MASTER LIST.** The County Administrator shall maintain a report of programs at the requested and adopted stages of the budget-making process. This report shall be an executive summary of the County budget and shall be organized by service-delivery category and by program committee. It shall include total authorized spending, dedicated revenues, general revenues and capital program spending (excluding spending of borrowed funds) for all programs and budgeting units, fiscal-lever and cost-saver status (see Sections 2.07 and 2.08 of this policy), and mandate class (see Section 2.06 of this policy), as well as all non-program items such as contingent funds and payments to reserves.
 - 2. **SCENARIOS.** The County Administrator shall, on request of the Legislature budget committee, prepare scenarios that show the effects on property taxes of various levels of spending and revenues.
 - 3. **BACKUP INFORMATION WITH BUDGET REQUESTS.** When budgeting units submit Budget or Capital Program requests, they must include the information required by the County Legislature in the most current approved form for this purpose; these are available from County Administration.
 - 4. **COMPONENT UNITS AND AGENCIES (e.g. TCPL, TC3).** The provisions of this Fiscal Policy with respect to submission, format, review, and approval of budget requests, and with respect to requests for appropriations from the contingent fund, apply in the same manner to programs of not-for-profit agencies that receive County grant funding as they do to departments of County government. The remainder of this policy applies only to County departments.

Section 2.02 Fiscal Targets

- A. **DEFINITION.** A fiscal target is the upper limit set by the Legislature of the general revenues that a budgeting unit or designated program might request without initiating an over-target request.
- B. **TARGET CHANGES.** A budgeting unit's or designated program's target remains the same unless and until changed by action of the Legislature, which may change any target at any time.

- C. A midyear change in a budgeting unit's or designated program's approved budget shall not change that item's target unless the Legislature explicitly indicates that a change is being made.

Section 2.03 Long-Range Planning

- A. The Legislature may schedule a change in a budgeting unit's or designated program's target to take place at some specified future date.
- B. As a rule, commitments to change targets beyond the subsequent year's budget adopted in the fall should only be made in the context of a review of the entire County budget and targets for all budgeting units or designated programs. The latter process could be a multi-year budget review.
- C. The budget committee is charged to continue its review of the feasibility of multi-year budgeting. Multi-year planning is especially important because of the large amount of County spending that is governed by multi-year union bargaining agreements and multi-year contracts with vendors.
- D. The County Administrator shall include in his recommendation any potential salary increases in a separate account within the budget until a resolution has been passed by the Legislature ratifying or accepting a contractual agreement.

Section 2.04 Basic Budget

The basic budget of a budgeting unit or designated program is its budget request that includes only: the targeted amount of general revenue; any authorized rollover; dedicated revenues; and total approved spending that does not exceed the sum of these.

When a budgeting unit submits its basic budget, it must highlight changes that have been made in programming.

Section 2.05 Over-target requests

- A. **DEFINITION.** Over-target requests are requests for funding that exceed a budgeting unit's or designated program's fiscal target.
- B. **PURPOSES.** Over-target requests may be for: new initiatives; maintenance of effort; "addbacks" of previously cut items; initial purchase or replacement of equipment; continuation of previous year items funded as over-target requests; restoring, expanding, or sustaining service levels, innovations to improve the quality, quantity, or efficiency of services; compliance with a mandated responsibility; or any other legitimate purpose of County Government.

Whenever a department head wishes to include in a budget proposal a revenue increase resulting from a change in the rate or structure of a fee, this must be included as an over-target request. It may not be submitted as part of a target budget. Preferably done at the annual budget process, but can be done at any time of the year.

- C. **PROPOSALS.** Over-target requests must be submitted on proposal forms separate from and in addition to the basic budget request. The budgeting unit or designated program must provide a thorough justification of the need for the funds, the means by which the success of the spending may be measured, and any impact on the objectives, services, and budget of the budgeting unit or designated program.
- D. **PRIORITIZATION.** If a department or agency submits more than one over-target request, it shall include its priorities of the over-target request, to the extent possible; although the Legislature need not follow the priority.

Section 2.06 Mandates

- A. **MANDATED PAYMENTS:** A program that is classified as a mandated payment is a service provided by County government as a direct consequence of a state or federal law, administrative regulation, or interpretation thereof, or a decision of any court that compels County government or a local government body to do something, or to do something in a specific manner. Local decisions (other than court decisions), rules, and contracts (including union contracts) are not mandates.

Mandated payments' funding that is left over at year-end is not eligible to be rollover; see Section 4.06 of this Policy. Funds may be appropriated into or out of Mandate accounts only upon recommendation of the program and budget committees and authorization of the Legislature; see Section 4.01 E. of this Policy.

- B. **MANDATED RESPONSIBILITIES:** Services the Legislature identifies as required, including administration of mandated payments. The Legislature has some control over the cost by applying efficiencies or otherwise controlling the cost of how the mandated services are delivered.

Employee salaries and fringe benefit costs may not be considered in a mandated payment, but is considered a mandated responsibility. Mandated payment programs are exempt from all fiscal targets established by the Legislature. Mandated payments appear as a line in the budget of a budgeting unit or designated program.

Section 2.07 Cost Savers

- A. **DEFINITION.** Cost savers are budgeting units or programs that have been judged through a review process demonstrably to save County taxes or Solid Waste Annual Fee funding by spending County funds. They should receive special attention since ignoring them can, by definition, result in needlessly higher taxes or fees.

- B. **CRITERIA.** To be designated a cost saver a program or budgeting unit must meet all of the following criteria:

1. Only an entire program or budgeting unit may be specified.
2. The program or budgeting unit must provide services funded entirely by general revenues or by the Solid Waste Annual Fee.
3. By providing those services, the budgeting unit or program must clearly reduce County spending in other County budgeting unit(s), or increase revenue to the general fund or to the Solid Waste Fund.
4. The amount of savings or increased revenues must equal or exceed the total amount of general revenues or Solid Waste Annual Fee revenues of the entire specified program or budgeting unit.
5. The savings from providing the proposed services must be achieved within the same fiscal year or within the following two fiscal years.
6. A reduction in services in the specified program or budgeting unit would result in a net increase in costs or decrease in revenues to Tompkins County.

- C. **DESIGNATION OF COST SAVERS.** The budget committee of the Legislature may each year appoint a review committee to screen requests for cost-saver status. All requests, and the recommendations of the screening committee,

shall be reviewed and recommended upon by the program committees and the budget committee of the Legislature, and cost-saver status shall then be determined by the full Legislature. Cost savers are specified for one year at a time.

- D. CONSEQUENCES OF COST-SAVER STATUS. Cost savers are exempt from any across-the-board cuts and are noted on all budget information so that any proposals to increase or reduce spending authority will be reviewed with full knowledge of that status.

Section 2.08 Fiscal Levers

Fiscal levers are spending items in the County budget that generate matching funds, usually from the State or Federal government. The County Administrator shall provide to the Legislature each year, when it is timely with respect to budget review, a list of fiscal levers with explanations of the nature and extent of the leveraging effect of each.

Section 2.09 Sales-Tax Revenues

The receipts from sales taxes are a large revenue source in the County budget, yet the amount received from them is outside the County's direct control. The following methods shall be used in connection with preparation of budget estimates to forecast and budget sales-tax revenues:

- A. The Director of Finance shall reconcile all sales-tax return reports and determine trends in receipts over the preceding five-year period.
- B. The Director of Finance shall determine the best available estimate of retail activity for the next budget year.
- C. The Director of Finance shall review sales-tax receipts relative to amounts budgeted therefore in the current and previous year County budget.
- D. Based on all the above the Director of Finance shall estimate sales-tax receipts for the subsequent year and propose this to the County Administrator to be recommended as the budgeted amount.
- E. The recommendation of the County Administrator shall be reviewed by the budget committee, which shall prepare a recommendation to be included in the Proposed Tompkins County Budget for review and action by the Legislature.

Section 2.10 Enactment of Fees

- A. DEFINITION. A fee is a charge for a service that is calculated based on the cost of providing that service.
- B. SUBMISSION OF PROPOSALS. Proposals to establish new fees and to change existing fees must be submitted in a format, and including information, to be determined by the County Administrator. The County Administrator shall confer periodically with the budget committee of the Legislature to ensure that the Legislature receives the information it needs.
- C. REVIEW OF PROPOSALS. Submitted proposals to establish or change fees must be reviewed by the County Administrator and the Director of Finance.
- D. RECOMMENDATION AND ADOPTION OF PROPOSALS. After review by the County Administrator and the Director of Finance proposals may be reviewed and recommended upon by the appropriate program committee of the Legislature and by the budget committee. They may be enacted by the Legislature.

The provisions of Section 2.10 B., C., and D. above may be met in either of two ways:

- 1) By including the fee proposal in the information provided to the program committee in connection with submission of the County Budget. This method must be used whenever it is possible to do so.
- 2) By a separate resolution only when it is not possible to use method #1 above.

Section 3 – BUDGET AND CAPITAL PROGRAM SUBMISSION, REVIEW, AND ADOPTION

Section 3.01 Budget Submission

Each year the County Administrator shall plan, schedule, and conduct training sessions for persons who wish to submit proposals.

The County Administrator shall ensure that forms for budget submission adhere to this Policy.

Proposals that do not meet the requirements of this Policy or that fail to adhere to any guidelines established by the Legislature will be returned to the proposer for revision.

No appropriation request may be submitted above or below an amount required by law.

The review of budget requests shall take place, each year, on a time schedule that allows a minimum of ten days, for public review, discussion, and comment on the Proposed Budget for the ensuing year.

Sufficient time shall also be allowed for preparation by departmental and agency staff and for review and recommendations by the County Administrator, program committees, and the budget committee.

Section 3.02 Capital Program Submission

A. **DEFINITION AND PURPOSE.** The Capital Program is a planning guide to physical betterments and improvements for the following five years, including major construction, equipment, and land or building purchases. Capital projects should be part of a comprehensive (20 year) long-range planning process, which foresees major expenditures well in advance of the need for them. That process should be easily understood by policy makers and interested members of the public.

B. **SCOPE.** The following two types of projects must be included in the Capital Program:

1. One-time expenses authorized to exceed \$100,000, regardless of whether they are paid for with borrowed funds, for:
 - a. Construction of new, additional buildings, roads, bridges, or other facilities;
 - b. Upgrading of existing buildings, roads, bridges, or other facilities;
 - c. Purchase of new, additional equipment (including computer equipment), or upgrading of equipment;
 - d. Purchase of land or buildings;
 - e. Planning and design expenses associated with the above.

2. Expenses for the following only when they will be paid for with borrowed funds:
 - a. Recurring annual expenditures for maintenance of existing buildings, roads, bridges, equipment, other structures, or lands;
 - b. Replacement of existing equipment or structures;
 - c. Projects whose total anticipated costs are less than \$100,000.

Any project that meets the definition but not the scope of a capital project (i.e., costs less than \$100,000 and does not involve borrowing) is budgeted as part of a normal operating budget. If expenditures for it would cause the budgeting unit to exceed its fiscal target an over-target request must be submitted (see Section 2.05).

- C. **PRELIMINARY REVIEW BY PROGRAM COMMITTEES.** Whenever a department head intends to develop a capital project proposal the proposal must be reviewed by the appropriate program committee before it is submitted as a formal proposal. In its preliminary form, final cost estimates for construction or for future additional operating costs are not required.

If the program committee accepts the preliminary proposal, the Capital Program Committee must be notified by the department head and must receive a copy of the approved preliminary project plan.

- D. **CAPITAL EXPENSES RELATED TO SPACE COSTS WILL BE ITEMIZED AND SHOWN AS PART OF THE FACILITIES DIVISION PROGRAM.** Annual spending for each capital project will appear for information purposes only. All new capital projects should receive Legislative scrutiny equivalent to over-target requests in the operating budget. All other Capital expenses will be shown in the appropriate program.
- E. **FORMAT.** The Capital Program should be summarized in a single, clear, readable document, cross-referenced to the budget.

In addition to the information detailed in the County Charter, all project requests approved as part of the Capital Program must include:

1. the current status of the project;
2. the program(s) of County government that the project benefits;
3. a statement of whether the spending for the project is or is not included in any budgeting unit or designated program's fiscal target;
4. the anticipated annual expenditures, and all sources of revenue for those expenditures, for each project over the following ten years;
5. the year of final payment for each project.

Section 3.03 County Administrator Review and Recommendations

- A. **FORMAL RECOMMENDATIONS.** Each year all budget and Capital Program requests shall be made by a date determined by the County Administrator. The County Administrator shall make formal recommendations on spending and revenue items in the County Budget and Capital Program as required by the County Charter, and submit those recommendations to the Expanded Budget and Capital Committee, which consists of the Budget Committee plus as many other Legislators as can attend.

Under State law the County Administrator's (as budget officer) budget proposal is the tentative budget until modified and voted on by the Legislature as a whole in regular session . When changes to the tentative budget are voted on

in the expanded budget committee, those votes do not change the tentative budget.

The Legislature will vote on the tentative budget at the first Legislature meeting in October if the Expanded Budget Committee has completed its work. If not, it will be postponed to a subsequent meeting. If no budget is passed by the second October meeting then the Legislature will recess on a day-to-day basis to allow the Expanded Budget Committee to continue deliberations. If the full Legislature does not approve changes to the tentative budget, then the County Administrator's proposed budget remains the tentative budget.

It is the tentative budget that the Legislature takes to the public hearing and uses as a basis for adopting a final budget.

- B. **CRITERIA FOR RECOMMENDATIONS.** The County Administrator shall make recommendations in the role of Chief Executive Officer and Budget Officer of Tompkins County. They should be based on knowledge of program operations and public needs, and employ the following criteria:
 - 1. funding level is necessary to meet the goals of county service delivery and support programs, as authorized by the Legislature;
 - 2. program plans are very likely to result in achievement of approved goals;
 - 3. proposing department or agency has the management capacity to operate the program effectively;
 - 4. the funding could not be more efficiently applied elsewhere or in a different way in the county budget, nor be accommodated through improved efficiency, nor be provided more appropriately by another organization;
 - 5. In the County Administrator's judgment, the funding is fiscally prudent.
- C. **SUPPLEMENTAL FUNDING FOR NEW, CHANGED, OR EXPANDED PROGRAMS.** The County Administrator shall identify basic or special budget requests that do not meet criterion (1) because they propose significant changes in program goals and/or activities. The County Administrator shall make recommendations on these based on the remaining (2-5) criteria, conditional on Legislature approval of program changes.
- D. **REVENUES.** The County Administrator shall only recommend revenue amounts that are judged to be highly likely to be realized, and shall only recommend revenues less than this amount when this is part of an openly discussed budget strategy.
- E. **INFORMAL RECOMMENDATIONS.** In addition to the above formal recommendations, the County Administrator shall provide the Legislature with any additional informal budget recommendations and explanations that are judged to be advisable, or that are requested by a committee of the Legislature.
- F. **VARIANCE FROM REQUESTS.** In every instance where the Administrator's recommendation differs from the amount requested the reason for the variance must be provided.
- G. **TENTATIVE BUDGET**

Section 4 – BUDGET AND CAPITAL PROGRAM CHANGES

The Director of Finance and the County Administrator shall maintain procedures for submission, review, and approval of transfers, budget adjustments, and

appropriations that conform to this policy.

Section 4.01 Transfers

- A. **WITHIN BUDGETING UNITS AND DESIGNATED PROGRAMS.** Transfers of funds within a budgeting unit or designated program are requested by the budgeting unit and reviewed and commented upon by the Director of Finance. They require no affirmative approval beyond the Director of Finance, but they must appear as an information item on the agenda of the next regularly scheduled meeting of the appropriate program committee; the program committee is not required to take action to approve the transfer, but may reject the transfer or send it back for further review. Transfers affecting total funding for not-for-profit agency grant(s) must be authorized by the program committee. Transfers from personnel lines to other program accounts may require further explanation and are made at the discretion of the Director of Finance and notification to the County Administrator, as well as optional approval or disapproval by the appropriate program committee.
- B. **BETWEEN BUDGETING UNITS OR DESIGNATED PROGRAMS.** Transfers of funds between budgeting units or designated programs follow the procedure above upon the recommendation of the program committee, by the budget committee only when the transfer involves more than one program committee, and approved by the Legislature.
- C. **CHANGING CAPITAL SPENDING.** A transfer that increases or decreases a capital spending item must be approved by a vote of two-thirds of the total authorized membership of the Legislature as an amendment of the capital program.
- D. **LEGISLATIVE-INITIATED.** The Legislature may transfer part or all of any unencumbered appropriation balance from one County program to another.
- E. Funds may be appropriated into or out of Mandated Payment accounts only upon the recommendation of the program and budget committees and approval of the Legislature.

Section 4.02 Budget Adjustments

- A. **DEFINITION.** A budget adjustment is an equal increase or decrease in spending and revenues.
- B. **PROCEDURE FOR ENACTING.** All adjustments over \$5,000 must be reviewed and upon the recommendation of the Director of Finance and must be approved by the program committee of the budgeting unit and the Legislature. Budget adjustments up to \$5,000 may be authorized by the Director of Finance.

A budget adjustment that increases or decreases capital spending is an amendment to the Capital Program and, therefore, must be approved by a vote of two-thirds of the total authorized membership of the Legislature.

Section 4.03 Appropriations from the Contingent Fund or a Fund Balance

Appropriations from the Contingent Fund (or from a fund balance in the event that the Contingent Fund has been depleted) may be approved for two kinds of expenses:

- A. **DEPARTMENTAL ENTITLEMENTS.** These are reimbursements for expended funds that the Legislature will ordinarily pay for and that department heads should be able to plan for. If there are circumstances under which the Legislature elects not to reimburse these expenses, notice should be provided

to any affected department head(s) by resolution.

1. Terminal Pay Reimbursement: Costs of terminal pay for employees as defined in union bargaining agreements and Administrative Policy 03-01.
2. Replacement Pay: Total costs incurred by departments to replace employees in paid status who are absent from work, or unable to perform the duties of their position, for longer than two months; the absence may be due to any incident of job-related or non-job-related illness or injury, or to suspension.

The total appropriated to the department for replacement pay will not include the first two months of absence and may not exceed the straight time cost of employing the individual who is absent from work or unable to perform the position duties.

Replacement pay is reduced dollar for dollar by any worker's compensation reimbursement the department receives for the replaced employee; notwithstanding this, the department's entitlement is NOT reduced by worker's compensation reimbursements applicable to the first two months of illness or injury.

3. Budgeting units that receive funding under (1) or (2) above do not receive any increase in fiscal target, but their eligibility to re-appropriate funds unspent at year end is not reduced.
4. No reimbursement will be made to enterprise units for the costs of terminal pay. These units include: the Airport, Solid Waste, Ithaca-Tompkins County Transportation Council, and Workforce Development.

B. DISCRETIONARY EXPENSES. Unforeseen expenses or opportunities that the Legislature decides must be undertaken during the current fiscal year. When a budgeting unit receives funding from the contingent fund or a fund balance for discretionary expenses, the authority to re-appropriate unspent funds in the subsequent year is automatically reduced by the same amount unless explicitly determined otherwise by Legislative resolution. This applies in all cases except:

1. when the appropriation from a fund balance is a re-appropriation of unspent funds from the previous year; or
2. when the appropriation is from fund balance monies whose source is STOP-DWI or Room Tax revenues.

C. CAPITAL SPENDING: Any appropriation from a contingent fund or a fund balance that increases capital spending must be approved by a two-thirds vote of the total authorized membership of the Legislature since it is an amendment to the Capital Program.

Section 4.04 Maintaining Target Fund Balances

To maintain target fund balances, for all the reasons stated in Policy 05-04 on Fund Balance, the Legislature shall take decisive and prompt action.

A. RESPONSE TO SHORTFALLS. In the event that at the end of a County fiscal year the total amount of fund balances is determined to be less than the total of the targets designated above for any reason (examples: overspending in Class A mandated programs, unrealized unallocated revenues) the Director of Finance shall report this fact to the budget committee, which shall provide direction to the County Administrator as to what kind of plan, if any, should be developed to remedy the deficit.

1. This plan may provide for reductions in authorized spending in all County

programs except: Class A mandates; cost savers; debt service as required by law; capital commitments unless the Capital Program is so amended; Tompkins Cortland Community College unless authorized by Cortland County; and any other budgeting units or portions thereof explicitly exempted by the Legislature.

2. This plan must be submitted in time for action by the Legislature no later than June. As a matter of policy, the Legislature should enact such a plan when it determines that such action will produce the greatest chance of success in restoring fund balances and avoiding unnecessary disruptions in service delivery. When it does not decide to act to restore balances in mid-year, action should take place as part of the budget adoption process in the fall.

B. RESPONSE TO PROJECTED SHORTFALLS. If the Director of Finance at any time during a fiscal year notifies the Legislature and the County Administrator that a situation exists that is projected to produce a net deficit for a budgeting unit or designated program at the end of a fiscal year, the County Administrator shall recommend action to remedy the situation.

C. DEPARTMENTAL DEFICITS. In every instance where a budgeting unit or designated program concludes a fiscal year with a net deficit (defined as any spending not supported by sufficient revenues), it must submit to the County Administrator and the Legislature a written explanation of the reasons therefor and a written plan to:

1. pay back the full amount of any previous-year(s) deficit; and
2. correct any situation that is projected by the department head or Director of Finance to result in any further deficit.

This plan must be upon recommendation, in turn, by the County Administrator, the program committee, and the budget committee and approved by the Legislature.

Section 4.05 Midyear Budget Review

To ensure that all of the goals of this Policy with respect to target fund balances, budgeting, and acceptable tax levels are met, it is desirable for the Legislature to conduct a midyear (by June 30) review of the following:

- A. the need for reductions in authorized general spending in all budgeting units if needed to restore, or avoid depletion of, fund balances (see Section 4.04);
- B. re-appropriation of unspent funds from previous years into budgeting units (see Section 4.06 B);
- C. any changes in reaction to the passage of the New York State budget;
- D. changes in fiscal targets for the upcoming budget process;
- E. any guidelines for budgeting units or for the County Administrator for the upcoming budget process;
- F. changes in mandate classification;
- G. changes in cost-saver status.

Section 4.06 Re-appropriation (Carryover or Rollover) of Unspent Funds from Previous Years

County department heads are authorized to request re-appropriation of unspent funds from the previous year provided that they are certified by the Director of

Finance to be available and provided that this re-appropriation is authorized by the established appropriation procedures of the Legislature. All departments shall clearly define the source of surplus funds.

Normally, the Legislature intends to approve requests to re-appropriate unspent funds in order to (1) provide department heads with the flexibility to use funds wisely, regardless of arbitrary boundaries between budget years, (2) reward efficiency, and (3) not create incentives for "use it or lose it" spending.

There are three ways funds can be re-appropriated: (a) by changing the current and the following year budget; (b) by using previous year's surplus funds in the subsequent year's budget; and (c) by re-appropriating previous year's surplus funds into the current year's budget after the Legislature has voted to adopt the following year's budget.

A. USE OF ANTICIPATED CURRENT-YEAR'S SURPLUS FUNDS IN THE SUBSEQUENT YEAR'S BUDGET. The budgeting unit may submit a request as part of its annual budget proposal that identifies funds that will not be spent in the current fiscal year, and requests that these funds be authorized for spending in the next year. This procedure requires an over-target request, which stipulates that anticipated surplus funds for the current year will be returned to the General Fund. The funds so designated must be identified separately from the rest of the program's authorized spending for the next year, and an explanation provided of why there is this change in the budget spending plan. In the event that this request is denied, the funds remain available to be spent by the budgetary unit during the current fiscal year.

1. If this request is approved by the Legislature the funds that are the subject of the request are no longer authorized to be spent during the current fiscal year. If the budgeting unit nevertheless spends some or all of the identified funds in the current fiscal year, this shall be treated as any other deficit situation (see above at Section 4.04 C).
2. A budgeting unit that has initiated such a request is no longer authorized to request a contingent fund or fund balance appropriation during the current year. If events make additional spending necessary during the current year, the units first course of action to meet this need shall be to reduce the next year's budget by the amount of the additional spending and to expend the funds already appropriated in the current year.
3. If a budgeting unit wishes to request to spend funds projected to be unspent at year-end in the following year after the program committee has already acted upon its budget requests, it may submit a request to the County Administrator with a copy to the program committee. The County Administrator shall assemble all such requests for amendments, recommend on them, and present them to the budget committee. All proposals recommended by that committee shall be presented to the Legislature at the budget adoption meeting as amendments to the proposed County Budget.

NOTE: Funds authorized for use in a subsequent year's budget will be requested in an Over-Target Request submitted with the budget request. The line-item within the budget request will be entitled "Prior-Year Rollover" and will remain isolated on this budget line throughout the budget process. Upon adoption of the budget, transfer requests may be processed to allocate these funds to the appropriate spending lines within the program.

B. USE OF PREVIOUS YEAR'S SURPLUS FUNDS IN THE SUBSEQUENT YEAR'S BUDGET. Budgeting units are authorized to request that funds certified by the Director of Finance to have been left over at December 31 of the

previous fiscal year be authorized for spending in the subsequent fiscal year by making a request in conjunction with the annual County budget process. (EXAMPLE: A budgeting unit proposes that funds left over on December 31, 1996 be spent during fiscal 1998 by making a request during the 1998 budget process that occurs in the summer and fall of 1997.)

NOTE: funds authorized for use in the subsequent year's budget will be requested in an over-target request submitted with the budget request... (SEE NOTE "A" ABOVE).

C. REAPPROPRIATION

1. SUBMISSION OF PROPOSALS. Proposals to re-appropriate unspent funds from the previous year into the current year budget must be submitted through established procedures for approval of appropriations prior to establishing Fiscal Targets for the subsequent year.
2. ELIGIBILITY. All unspent funds are eligible to be re-appropriated by the processes above except funds that result from savings in Class A mandates and capital program spending.

The following sources of unspent funds for re-appropriation, must be explicitly identified for Legislature review by department heads and the County Administrator:

- a) increases in state- or federal-aid levels;
- b) single events or changes that result in surpluses greater than \$50,000;
- c) positions that remain vacant for longer than six months;
- d) fees charged to other County departments;
- e) fees charged to the public;
- f) departmental errors.

Section 4.07. Restrictions on Budget Changes

No appropriation may be increased above the maximum level permitted by law, nor reduced below an amount required by law to be so appropriated.